Restaurant Business

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4TH ANNUAL LEADERSHIP AWARDS

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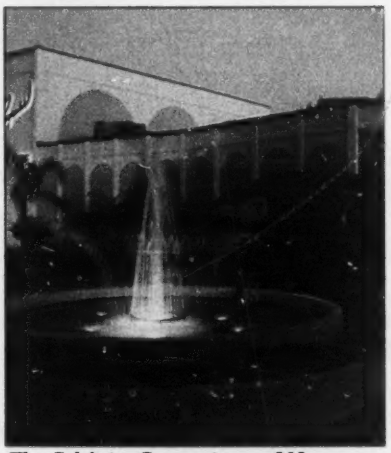

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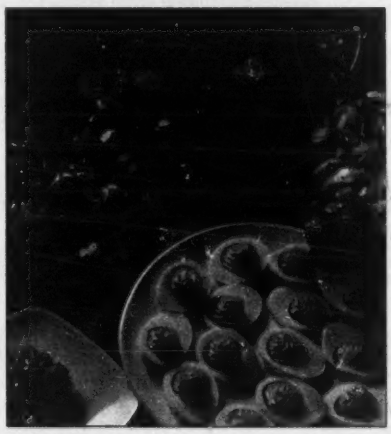

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GOURMET BURGERS:

What went wrong?

Once thought of as the next wave by marketers, the gourmet burger segment has proven to be a tough market—too tough for most players.

Has the gourmet burger boom gone bust? Two years ago, it seemed like *everybody* wanted in. Fuddruckers and Chili's were being emulated in markets all over the country. A number of larger companies were adding upscale hamburger operations to their portfolios, such as Saga with Spoons and S&A Restaurant Corp. with its JJ. Muggs. Others were developing prototypes for the conversion of underperforming dinner houses: Victoria Station converted six of its boxcar restaurants to a concept called Bonkers Burger Grill & Bar.

Indeed, "gourmet burgers" was the industry buzz-word. The trouble was, though, that no one seemed to be quite sure whether the market consisted of baby boomers trading up from fast food or jaded yuppies trading down from dinner houses. And the rapid proliferation of competitors may have killed the goose that laid the golden egg.

Now, everybody is getting *out*, and those players that aren't actually selling out, closing down, or re-converting say that they're not even in the so-called "gourmet burger" segment anymore, preferring a "mid-price casual dining" designation to reflect broadened menus and upgraded services.

And, although the field is still crowded, the attrition rate has been high. What's left of the gourmet hamburger segment is clearly not the market niche opportunity that the profit seekers thought it was just two short years ago.

The fallout—which still continues—has been considerable. S&A Restaurant Corp., Dallas, is evaluating its JJ. Muggs units for disposal or conversion to other concepts. New York City-based Lifestyle Restaurants Inc., successor to Beefsteak Charlie's, experimented with the Daly's Dandelion and Tallulah's American Cafe concepts as conversions, only to convert them back to Beefsteak Charlie's last year. Saga Corp., headquartered in Menlo Park, CA, will close three of its Spoons if sales can't be coaxed up. Four of the six Bonkers have been closed. Flakey Jake's Restaurants-Inc., Bellevue, WA, has been struggling with credit problems. Chili's Inc., of Dallas, says it no longer wants to be associated with "gourmet burgers." Only Fuddruckers claims to be in the segment, and it is lonely there indeed.

Kyle Craig, president and chief executive officer of $750 million S&A Restaurant Corp., a division of Pillsbury Co., Minneapolis, thinks that the market niche was overstated from the beginning. "We tend to look upon niches as the solution to everything; find a niche and your problems will be solved," he says. "Unfortunately, the gourmet hamburger niche has not been

by Joan Lang

the savior that many of us had hoped."

The marketers, according to Craig, all saw a terrific opening. The only trouble was, the perceived demand was greater than the actual customer interest.

Instead of being an alternative, the segment gets the squeeze from the top by the dinner houses offering hamburgers, and from the bottom by the fast food hamburger restaurants.

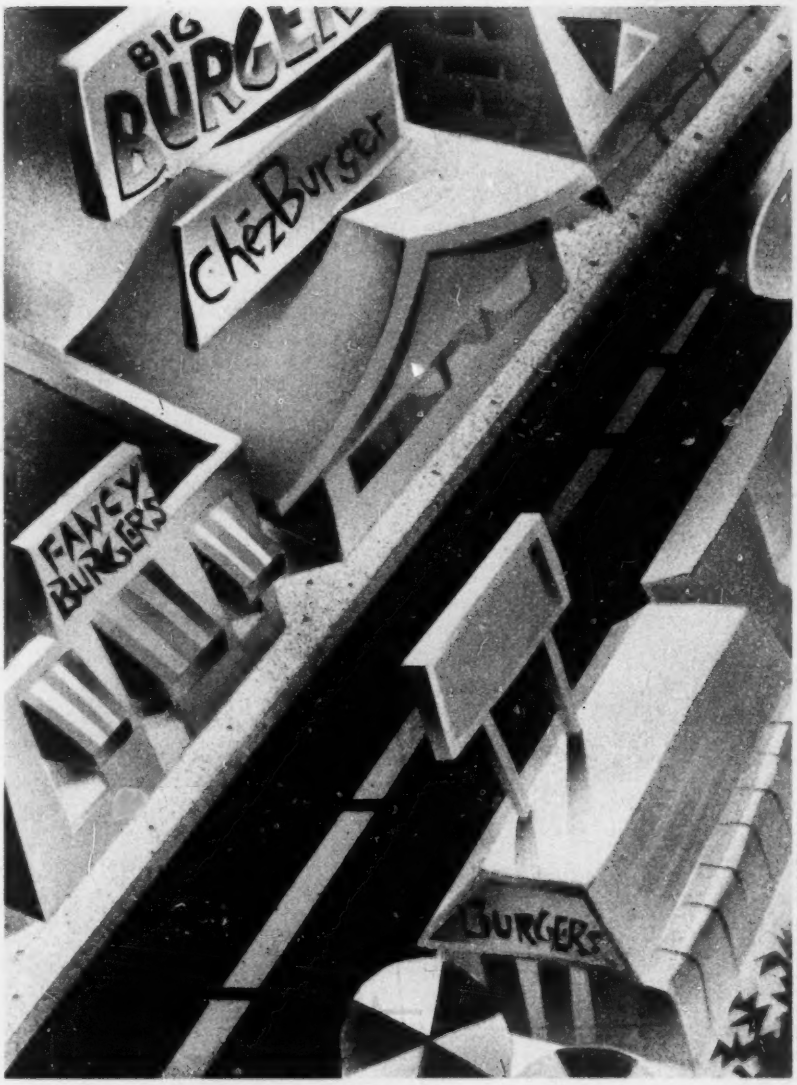
Adds Charles Glovsky, senior securities analyst for Alex. Brown & Sons: "The segment is just not that large. Everyone thought it was going to be the 'next wave' niche. But, the truth is, the target audience hasn't tired of fast food burgers and they're not about to spend $5 or $6 for a limited-menu, limited-ambience experience."

The situation was exacerbated, says Glovsky, by the sheer rapidity with which competitors and knockoffs appeared on the scene, preventing companies with a head start—such as Chili's and Fuddruckers—from expanding as originally planned.

"The gourmet burger niche?" asks Ron McDougall, executive vice president of Dallas-based Chili's Inc. "We're not in it." The changes that the Chili's concept has undergone since Norm Brinker left his position as president of Pillsbury's Restaurant Group to become chairman and CEO of the then 23-unit Chili's chain in mid-1983 have been so fundamental, says McDougall, that it now qualifies as a "limited menu, casual, adult, table service" restaurant.

Chili's menu—which started with scarcely more than large hamburgers, fries, beer, and margaritas—has been continually broadened to include appetizers, Tex-Mex items, salads, and other new additions. As a result, table turnover is down but average checks are up (about $1, to $7), and Chili's is managing to compete more broadly. Burgers now account for just 18 percent of sales, down from 65 to 70 percent three years ago.

So far, the strategy appears to be working. The company's 57 units (there are also 12 franchised restaurants) generate average sales of about $2 million, above the $1.2 to $1.5 million average for the segment, and competitors and analysts alike point to Chili's as a prime example of adaptive survival. Though growth projections have slowed from earlier expectations, Chili's is using a market-cluster expansion approach that will put 20 new company units and at least eight more franchised units on the map by fiscal 1986 year-end in June. In addition, Chili's has debuted Flyer's Island Express, a drive-thru-only, limited menu concept which requires a much lower start-up commitment.



ILLUSTRATIONS BY ANTHONY SCHIANO

CAN THEY CHANGE QUICKLY? Many other companies have attempted Chili's ready-to-change stance, but have met with only mixed success. Flakey Jake's has undergone a number of transitions, not the least of which was a management shakeup that left Pizza Hut founder Frank Carney as chairman and Wallace Doolin, formerly with Steak & Ale, as president. The management team has been completely revamped under Doolin, and the Flakey Jake's concept, which now numbers 45 units (14 of them company-owned), is being refined. The company's loan agreement is being restructured, and an offering of new convertible preferred shares is planned to raise capital.

Company expansion has been halted while Flakey's reduces its debt, and Doolin hopes that renewed company growth can commence in 1987. The thrust of refinements, reveals Doolin, has been to offer the customer a better overall experience, in keeping with a check average which hovers around $5.

The company is still not profitable, having reported an $8.5 million loss from operations in its 1985 first quarter, which includes $5.5 million on the closing of five underperforming stores in California and Washington state.

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GOURMET BURGERS *from page 121*

Systemwide unit volumes average $1.4 million. Management hopes that the company will begin turning a profit in 1987.

"I think all of us in the segment were fooled by the high opening volumes that we were seeing initially," says Doolin. " We've all had to learn a few lessons." But it has been a costly lesson to learn: the stock price has tumbled from a high of about $9 last year to under $3 as of late March.

Some chains think they have found an answer: change quickly.

Roger Lipton, managing director of Lipton Research, suggests that overenthusiasm to expand has clearly been at the root of the segment's troubles. "They didn't have the people in place, and their ideas were not mature enough to support such an aggressive posture," he believes. It was a matter of too much, too soon.

MARKETING EMPHASIS. One of the lessons that has been learned is that market penetration and advertising is a necessity, but companies that hopscotched around the country have found it hard to compete with established, locally entrenched chains. With only one or two units in a marketing area, television—and even print advertising in some markets—is just too expensive.

At least one chain, Dallas-based Pizza Inn Inc. has avoided this pitfall. Pizza Inn has enjoyed decent success with its J.T. McCord's concept, which brings in average volumes approaching $2 million, because it has been able to begin advertising all nine of its units in their Dallas-centered base.

Still, McCord's has not been unchallenged. Pizza Inn's research revealed familiar results. "We weren't so successful as a 'gourmet hamburger' restaurant," reveals William E. Eskew, vice president of marketing for the company. "The consumer liked our concept, but there wasn't enough variety." Menu changes were made, and now appetizers are McCord's best-sellers, followed by Tex-Mex items and only then by hamburgers. Now, Pizza Inn has scaled back its expansion plans, but has begun franchising; it expects that most of its growth in the near future will occur through franchise development.

W.R. Grace & Co., New York, has also had better than average success with its midscale Applebee's Neighborhood Grill & Bar (formerly T.J. Applebee's) concept, although the chain also rejects the "gourmet burger" moniker. Says Lou Neeb, president and CEO of Grace's Taco Villa/Creative Food 'N Fun division: "Applebee's has always had a much broader and more flexible menu than the 'gourmet burger' places, and that's helped us. Burgers accounted for only 25 percent of sales when the concept was acquired in 1983 and ring up about 22 percent today." Average check is $6, and average unit volumes top $1.3 million, a number Grace appears—for the moment at least—to be satisfied with.

Long-term expansion goals are more prudent than initially anticipated. Less than three years ago, the company announced a goal of over 200 units in five years; now, plans call for a more orderly 20 percent annual growth. With 12 franchised units open to date, further franchising will be pursued, says Neeb, on a "low-key basis."

ROI NIGHTMARES. The almost universal complaint of the segment has been lower-than-anticipated return on investment. For this reason, many companies which added gourmet burger concepts to their portfolios have opted out, leaving the independents and smaller chains to the struggle. Church's Fried Chicken Inc., based in San Antonio, jettisoned all of its 70-odd G.W. Jr.'s and "jeeper's!" gourmet burger units, willingly taking a loss in the fourth quarter of 1985 to get out of the burger business. Sales volumes had been declining steadily, and the company made the decision two years ago to phase out G.W. Jr.'s, converting some to the lower-ticket "jeeper's!" concept, but that strategy offered no solution either.

Admits Richard F. Sherman, president and chief operating officer of Church's: "Every time we added a dollar in the hamburger business we got back $79, but when we invested a dollar in the chicken business, we got back $1,500. Where would you put your dollar?"

Saga Corp. had very high hopes for the gourmet burger segment, purchasing the then five-unit Spoons from its founder for $3 million. But it has not been clear sailing. "First of all, Spoons is not 'gourmet burgers' anymore—it's casual dining," insists Gene Elsbree, vice president, corporate communications and investor relations for Saga. "That's the direction that the whole segment has been taking."

Though burgers still account for a

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majority of the menu mix, says Elsbree, Spoons also offers Mexican specialty items, ribs, and a line of hickory-smoked chicken products. Currently, there are 15 Spoons in operation, but the company has been disappointed with the performance of its three Midwestern units and will close them if attempts to improve profitability go unrewarded. While Elsbree says that "We're not ready to give up on Spoons," he admits that the chain is falling short of Saga's high return requirements.

Average unit volumes of $1.4 million for Spoons have not met of targeted levels, reveals Elsbree, primarily due to the Midwestern units, and the company is not satisfied with the concept's performance overall. "Saga's revenue requirements are quite high—our objective has been to increase revenues by at least 15 percent annually," says Elsbree, "and Spoons just does not offer the return of other concepts."

Greyhound Food Management Inc., based in Phoenix, *is* through with its experiment with gourmet hamburgers, having put its single T. Twiggs on the block. Despite the concept's relatively broad menu, T. Twiggs did not meet management's performance expectations.

Pillsbury, which inherited Moxie's with its acquisition of Diversifoods, is also getting out of the business. The concept hit a peak of eight units in early

GOURMET BURGERS: THEN AND NOW

	Mid-summer 1984		Mid-winter 1986	
Concept	Number of Units	Growth Outlook	Number of Units	Growth Outlook
Boxcars Grill & Bar—Fifties decor and display areas highlight Victoria Station's conversion vehicle.	1	Company plans to convert underperforming Victoria Stations—up to 15 units possibly within next year.	2	A total of six boxcar restaurants were converted; four have since been closed as part of a major store disposition program.
Chili's—Much-copied public company headed by former Pillsbury Restaurant Group chief Norm Brinker. Has broadened Mexican-influenced menu well beyond burgers.	32	Expansion at 50 percent rate per year.	69	A total of 28 to 30 units will be added by 1987, while the menu has broadened still further. Company is now concentrating on a market-clustering expansion strategy. Has added second concept, Flyer's.
Daly's Dandelion—Lower-check average conversion vehicle for NY-based Beefsteak Charlie's serving burgers, pasta, salad, and sundaes.	1	Two more conversions scheduled and three more possible.	0	Both stores have been converted back to Beefsteak Charlie's, as have all 7 Tallulah's American Cafe casual dining restaurants.
Finley Jake's—Broad menu and turn-of-the-century decor highlight this make-your-own concept.	10	Over 200 franchised units and 75 company units in next four years.	45	Will build no new company units until debt is paid down; meanwhile, various concept changes are under consideration.
Fuddruckers—Much-copied concept featuring display butcher shop and bakery plus fresh product display. Limited menu emphasizes condiment bar.	22	65 to 75 units by end of 1985.	104	Company has lowered prices and broadened menu to encourage repeat business; plans to open about 25 company stores and 30-35 franchises a year in 1986 and beyond.
Hamburger Hamlet—32-year-old white tablecloth concept featuring burgers, chili, and fresh desserts.	22	5 units in the next 12 months.	23	Though still committed to its successful Hamburger Hamlet concept, company is diversifying with Hamlet Gardens, Kate Mantilini's Steakhouse, and others.
J.J. Muggs—Developed by S&A Restaurant Corp., owner of Bennigan's and Steak & Ale, as a low-investment diversification vehicle.	6	12 units by June 1985, then watch for rapid expansion.	18	This year S&A is evaluating Muggs on a restaurant-by-restaurant basis for conversion or sale, after having made a number of changes in format.
J.T. McCord's—Half-pound burgers, sandwiches, salads, and full dinners distinguish Pizza Inn's diversification concept.	5	7 new units next year, then 10 a year in succeeding years.	9	Has slowed company expansion, will grow primarily through franchising.
Moxie's—Diversifood's concept sells smaller burgers for lower prices in converted Cork 'N Cleavers.	2	Possibly 50 units by end of 1985.	1 (had expanded to 8 by mid-1985)	New parent Pillsbury has put Moxie's up for sale.
Spoons—Continuing to diversify, Saga Corp. acquired this Mexican-flavored concept.	6	15 units in fiscal 1985.	15	Saga will close three Midwestern units if volumes don't improve, has changed the overall concept significantly.
T.J. Applebee's—Acquired by W.R. Grace's fast food division, Creative Food 'N Fun. A broader menu than typical gourmet burger operation. Patterned after a neighborhood pub.	5	210 units in five years.	23	Menu is more diversified, and "prudent expansion" is the focus. Near-term plans call for 20% company growth per year plus "low-key" franchising activity. Name changed to Applebee's Neighborhood Grill & Bar.
T. Twiggs—Developed by diversifying Greyhound Food Management, this concept emphasizes burgers, steaks, chicken, and fish.	1	This is pilot unit; growth dependent upon success of test concept.	1	Up for sale.
G.W. Jr.'s/"Jeepers!"—Developed by Church's Fried Chicken as a diversification vehicle.	about 70	Phasing out G.W. Jr.'s, with some being converted to lower-ticket "jeepers!"	0	Church's has disposed of its entire hamburger division to concentrate on its chicken stores.
Red Robin—This 17-year-old concept has a diverse menu featuring 28 types of burgers.	22	18 units in 1985, 185 units by 1989.	35	With money from a Japanese investor, the company will grow by 20 units in 1986, accelerating thereafter.
Round the Corner—Concept has always had a broader menu than most self-service competitors. Customers order food by phone and pick up food when the phone buzzes.	N/A	Number of units depends on number of good locations. Concentrating on markets where there is already a presence.	25	By concentrating on market penetration, the company hopes to grow by about 20 percent per year over the near-term.

1985; all but one have since been closed or sold off and the remaining unit is also for sale.

S&A Restaurant Corp. has also all but given up on its mini-chain, JJ. Muggs, according to Kyle Craig. Muggs' menu had been diversified far beyond its original format to include chicken dishes, Mexican items, ribs, and steaks; with an average check of about $8, the 18 JJ. Muggs were generating average unit volumes of about $1.2 million. The division is being evaluated this year on a restaurant-by-restaurant basis for possible sale or conversion to another concept, including Bennigan's, Steak & Ale, and Bay Street, a new seafood dinner house.

A FAMILIAR PATTERN. An unfortunate pattern emerged quickly for the gourmet burger segment. Initial reception was good, and chain hopefuls rushed to get into what they thought was a newly discovered—and extremely profitable— niche. Soon, however, it became apparent that customers were less than enchanted with the price/value formula offered by gourmet hamburgers. Concludes analyst Charles Glovsky: "Customers are basically just not willing to spend $5 and $6 and $7 for a hamburger."

Fuddruckers has run squarely up against that problem. "Our research indicated that customers liked us and liked our product," says Bill Baumhauer, chairman, president and CEO of the San Antonio-based company. "But they took issue with the prices just as much as with the limited menu." The solution was to lower prices—average check today is $4.60 compared with $5.50 three years ago—and retain a relatively limited menu.

But results of the strategy have been mixed. Although customer counts increased better than 10 percent due to price reductions, the company is still not satisfied with store sales; in an effort to increase repeat business, the menu was further broadened, and now the company feels it is headed in the right direction. "We feel our mistakes are correctable," says Baumhauer.

He adds that management of the chain sees itself as "competing with nobody directly, but everyone from McDonald's to mid-price dinner houses indirectly."

Part of the problem, suggests Baumhauer, has been in having to educate the customer to trade up from fast food and down from the dinner house, a process which takes marketing money, which is hard to come by during an expansion phase.

Fuddruckers' unit volumes average about $1.3 to $1.4 million, on an approximate investment of $1.2 million. Baumhauer feels that the company needs to work to strengthen volumes by $100,000 to $150,000 per unit and get the investment down by the same amount to insure longevity.

With 104 units currently, Fuddruckers has also become less aggressive about expansion. For the next 12 to 18 months, the company will concentrate in markets that have already proven successful in order to consolidate marketing clout. The company will grow by about 25 company units and 30 to 35 franchises per year over the next several years. Admits Baumhauer: "Along with everyone else, we've learned that it's not realistic to have 1,000 or 2,000 stores. Now we're looking at 300 to 400."

Some companies' forays into the world of gourmet burgers have produced dismal results. Victoria Station Inc., based in Larkspur, CA, had looked towards its self-service Bonkers Grill & Bar as a way around the relentlessly declining sales of its flagship boxcar dinner houses. Though it originally announced that it might convert more than a dozen Victoria Stations to Bonkers in short order, only six were completed and four have been subsequently closed in the wake of losses totalling more than $5 million in 1985 alone.

Nor has conversion been a panacea for Lifestyle Restaurants Inc., formerly Beefsteak Charlie's Inc. The company had changed over two of its Beefsteak Charlie's restaurants into Daly's Dandelions, a mid-price casual dining format with a diverse menu. In addition, seven Beefsteak Charlie's were converted to Tallulah's American Cafe restaurants, a similar concept with a similar check average—$7 to $8. Now, all nine have been converted back, having contributed to fiscal 1985 operating losses of $4.7 million.

THE GOOD NEWS. Still, for the companies that are regionally entrenched or have found a unique niche, the rewards can be considerable. Thirty two-year-old Hamburger Hamlets Inc., based in Sherman Oaks, CA. enjoys sales of over $40 million a year with its classy formula of burgers, chili, lobster bisque, onion soup, and other menu items. But even Hamburger Hamlets has recognized that changes are the order of the day. Three new dining concepts from the chain have already debuted or soon will arrive on the scene.

Two other mainstays in the gourmet burger business are Red Robin and Round the Corner. Seattle-based Red Robin International Inc. is 17 years old and just now embarking on an expansion phase. Though the company has 35 units in operation (12 of them company-owned), its recent sale of a 50 percent interest to the Tokyo-based foodservice giant Skylark of Japan has provided funds for "controlled but rapid company growth," according to Ben Keylin, Red Robin vice president of marketing and public relations.

Round the Corner Restaurants Inc., based in Boulder, CO, has also found itself in the happy position of being validated by its fledgling challengers. According to Ed Massey, president and CEO, the 18-year-old, 25-unit company has always positioned itself as a quality alternative to fast food, and as such claims an average check that is 10 to 15 percent lower (at about $4.50) than the competition's.

This experience could teach chain execs a costly lesson: there are no sure-fire bets.

Moreover, according to Massey, the company's front-end investment is about half that of its competitors, enabling Round the Corner to make a decent return on its $800,000 per store volumes. Expansion will be slow and steady—about 20 percent a year.

It remains to be seen which of the "gourmet burger" chains will ultimately survive—and in what form. The "me-too" frenzy that characterized the rapid-fire emergence of so many similar competitors has given way to some harsh economic realities. A continuation of the current shakeout in this market seems inevitable.

"There have been a lot of growing pains, that's for sure," admits Neeb of Grace. "It's been a case of too many people trying to carve out the same niche, duplicating everybody's attempts to fill that perceived customer need."

In many ways, the tale of woe that lies behind the gourmet burger boom and bust is a microcosm of the challenges facing the entire industry: There are no easy answers, no quick profit fixes, and, quite possibly, no more uncharted niches.

MARKET SEGMENT OPPORTUNITIES

To exploit a niche, take a proven concept in one area of the country and transplant it to another.

This article and statistical data were provided by RE-COUNT, a service of Restaurant Consulting Group, Inc., Kenilworth, IL. RE-COUNT (Restaurant Count by Market) delineates the presence and count of chain and independent restaurant units for every market in the contiguous 48 states and for every county within each market. The RE-COUNT report provides the number of restaurants units in each of 32 categories, classified by type of food served and/or by operational format.

It's likely that the first pan pizza most people in Denver, CO, tasted was a Pizza Hut pan pizza—a generation after Chicagoans claimed pan pizza as their own. Chi-Chi's was one of the first restaurants to bring chimichangas to Pittsburgh, PA.

One tried and true method restaurateurs have used to exploit a "niche" in the marketplace is to take a proven concept in one area of the country (Mexican food in the Southwest) and to introduce it into new areas (Midwest).

One means for evaluating a concept's or food type's acceptance in one area is to look at the number of restaurants currently available. As with the age-old question of which came first, the chicken or the egg, the question remains as to whether restaurant availability drives demand or vice versa. Restaurant Consulting Group, the firm that publishes RE-COUNT, a "census" of restaurants by market across the country, suggests there's some truth to both theories. For example, per capita consumption of chicken tends to be higher in the South, partially because people like chicken more and partially because it's more convenient to get to a chicken restaurant—there are more available. To a certain point, increased demand generates increased supply, which generates increased demand.

One way or the other, opportunities exist for restaurateurs to take concepts popular in one area and to introduce them (or to expand their availability) into other areas.

In addition to exploiting untapped potential and building demand for a product or concept in underdeveloped areas, two clear dividends accrue to those restaurateurs entering the market early. First, the presence of direct competition is relatively minor. The restaurateur can spend time and money fine-tuning his concept rather than responding to competitive pressures. Second, the restaurateur can set the standard for the concept/product in the market against which future entries are judged. For example, Domino's has defined the pizza delivery market. Anyone entering the market now must match their guaranteed delivery time. An acceptable standard for Mexican food in the Northeast has a much milder spice profile, popularized by the chains, than in the Southwest.

This article investigates how opportunities, based on availability, differ for eight categories across 10 ADI markets in the country. The categories include hot dogs, Italian, pizza, chicken, Mexican, barbecue, Oriental, and ice cream. The markets selected range from the 11th to the 20th largest ADI's in the country: Cleveland, Minneapolis/St. Paul, Pittsburgh, Tampa/St. Petersburgh, Seattle/Tacoma, St. Louis, Miami, Denver, Atlanta, and Sacramento/Stockton.

HOT DOGS. Nationally, there are almost 3,000 hot dog stands, representing about one percent of all restaurants. Of the 10 markets chosen, hot dog stands are more prevalent (represent a higher share of all restaurants) in Pittsburgh, Tampa/St. Pete, Denver and Sacramento/Stockton. Success in these markets would depend primarily on an operator's ability to capture market share from existing units.

In the other six of the 10 markets chosen for this article, most notably Minneapolis/St. Paul, hot dog outlet availability is low. It's likely the opening of a new hot dog stand here would result in increased consumption. Keep in mind this is a screening process for market selection. It does not preempt the need to offer products the consumer wants in an appealing atmosphere at an affordable price.

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TOTAL U.S. RESTAURANTS BY REGION*

MENU CATEGORY	Total US	New England	Middle Atlantic	E/N Central	W/N Central	South Atlantic	E/S Central	W/S Central	Mountain	Pacific
Total Restaurants	331530	18440	50357	54987	23624	49441	16287	44039	19230	55125
Sandwich Menu	42947	1739	4700	7468	3104	7498	2683	6311	2690	6754
Hamburger	28286	812	2458	4935	2433	4548	2077	4565	1822	4636
Roast Beef	2404	100	445	587	142	522	118	176	148	166
Hot Dogs	2971	77	309	885	83	321	140	435	165	556
Subs	4641	505	912	576	211	1037	86	467	295	552
Other Sandwich Menu	4645	245	576	485	235	1070	262	668	260	844
Delicatessen/Bagel	3875	246	794	439	164	597	125	357	171	982
Chicken	11624	222	881	1956	686	2533	1015	2238	540	1553
Pizza	35770	2576	7343	7681	2457	4724	1493	3001	1868	4627
Fish/Seafood	9121	567	1081	1003	329	2333	721	1352	309	1426
Steak Menu	8144	299	910	1340	740	1662	586	1093	538	976
Family Steak	3717	89	314	660	312	962	371	439	213	357
Upscale Steak	858	36	95	98	47	168	26	191	67	130
Unclassified Steak	3569	174	501	582	381	532	189	463	258	489
Ethnic Menu	36138	1491	5323	4472	1916	4277	810	4873	2725	10251
Mexican	13034	151	497	1415	873	1030	326	2873	1426	4443
Oriental	14675	822	2987	1730	726	1872	325	1345	792	4076
Italian	4438	341	1108	670	135	734	85	276	263	826
French	1323	78	261	124	47	244	24	110	85	350
German	386	9	49	84	26	45	6	35	31	101
Spanish	155	3	34	10	4	30	1	30	9	34
Greek	784	39	122	216	46	147	19	48	57	90
Indian	261	10	81	28	8	48	1	20	5	60
Soul Food	138	1	12	21	5	32	6	20	4	37
Other	944	37	172	174	46	95	17	116	53	234
Barbecue	5947	43	176	576	298	1287	713	2034	193	627
Full Menu	14821	905	1687	3266	1101	2417	884	1270	831	2460
Family Style	12702	835	1447	2964	1005	2034	789	936	701	1991
Upscale	2119	70	240	302	96	383	95	334	130	469
Crepe	145	6	27	18	6	24	3	9	8	44
Pancake/Waffle	1911	90	116	249	106	594	174	200	167	215
Cafeteria	2795	67	103	373	248	653	182	600	200	369
Ice Cream	19870	1086	2713	3747	1744	2778	1078	2786	1154	2784
Donut	6980	648	901	1119	566	678	192	653	436	1787
Refreshment	3617	141	397	577	271	563	202	630	187	649
Specialty Menus	2880	121	290	459	120	475	138	434	206	637
Natural/Health	850	41	111	86	38	139	41	85	75	234
Yogurt	428	6	34	8	9	36	11	129	53	142
Potato	321	4	39	43	21	55	11	78	23	47
Pretzel	246	2	33	95	9	37	8	33	11	18
Soup	314	50	36	34	16	28	9	39	21	81
Chili	343	1	6	176	22	19	42	29	16	32
Biscuit	214	2	1	6		149	16	33	2	5
Fondue	15		1	4		2		1	2	5
Other	149	15	29	7	5	10		7	3	73
Miscellaneous	24107	1481	4604	2619	2939	2502	1136	3451	1498	3877
Truck Stops	902	12	69	162	126	126	106	147	75	79
Cafes	11993	504	787	1309	2271	926	665	2307	1070	2154
Coffee Shops	3799	251	847	376	200	319	77	366	188	1175
Grills	2522	99	439	402	183	579	159	322	87	252
Diners	2518	312	1212	207	110	283	93	185	35	81
Luncheonettes	2373	303	1250	163	49	269	36	124	43	136
All Other Restaurants	100838	6712	18311	17625	6829	13846	4152	12747	5509	15107

Source: RECOUNT 1985

■ *Indicates highest concentration by region*

OPPORTUNITIES *cont. from p. 204*

ETHNIC MENUS. Major successes have occurred in taking ethnic menus into new areas. Thai, Cajun and Spanish are all considered "hot" foods now. Even among the three major ethnic categories—Mexican, Italian and Oriental—pockets of opportunity exist.

Pittsburgh and Cleveland, with relatively strong Italian populations, are both strongholds for pizza and Italian restaurants. However, there are opportunities for Mexican and Oriental.

There are less than 50 Mexican restaurants in Pittsburgh (vs. over 700 pizza restaurants) and not even 100 Oriental restaurants. In both cases, this is well less than half of what would be expected, based on the national average. Cleveland is only slightly more well penetrated, and so is, to a lesser degree, Tampa/St. Petersburgh.

St. Louis is a real stronghold for Italian restaurants (as evidenced by toasted raviolis and a population famous for having produced Joe Garagiola and Yogi Berra). Oriental restaurants are also very strong here. However, Mexican restaurants are underrepresented.

In Minneapolis/St. Paul, a customer could drive a very long way looking for an Italian restaurant, despite somewhat above-average pizza availability. Mexican restaurant distribution also tends to be low here.

In Sacramento/Stockton and Denver there are about twice the proportion of Mexican restaurants than the national average. In both these markets, Italian and pizza distribution are low. Pizza distribution is low in Seattle/Tacoma.

Of the 10 markets, only Atlanta has below-average distribution for all three ethnic categories and pizza. Miami is average or above for all categories except pizza.

CHICKEN, BARBECUE, ICE CREAM. Both chicken and barbecue restaurants are most prevalent in Southern markets. Potential for these appears highest in Northern markets and Western markets. One reason for the lack of success of Luther's may have been its choice of markets for entry.

By building in Southern markets, Luther's faced both high competition, particularly from well-established independents, and consumer palates with well-defined standards for barbecue sauce. In Northern and Western markets, competition would have been less fierce.

Ice cream, on the other hand, has higher availability in Northern markets (Pittsburgh, Minneapolis and Cleveland) and St. Louis, probably reflecting Dairy Queen's distribution. Southern markets, as evidenced by Atlanta, Tampa/St. Petersburgh and Miami, are surprisingly 10 percent to 20 percent understored, where the season for ice cream could be longer.

In many cases, being the "pioneer" with a new or unfamiliar concept in an area will mean a somewhat longer payout period for a restaurateur as it takes some time to educate consumers and bring the concept into their conscious selection process.

Growth opportunities By Menu Category and ADI

	Chicken		Barbecue		Ice Cream		Hot Dog	
	Share	Index	Share	Index	Share	Index	Share	Index
National	**3.5%**	**100**	**1.8%**	**100**	**6.0%**	**100**	**.9%**	**100**
Pittsburgh	1.5	43	.4	22	7.5	125	1.4	156
Cleveland	2.1	60	1.1	61	6.9	115	.5	56
Minneapolis/St. Paul	2.1	60	.3	17	7.4	123	.2	22
St. Louis	5.0	143	2.0	111	7.7	128	.4	33
Atlanta	6.3	180	3.4	189	5.3	88	.5	56
Tampa/St. Petersburg	5.3	151	3.0	167	5.1	85	1.0	111
Miami	4.2	120	1.5	83	4.8	80	.5	44
Denver	2.5	71	1.0	56	6.2	103	1.0	111
Seattle/Tacoma	2.1	60	.8	44	4.8	80	.3	33
Sacramento	2.5	71	.9	50	6.2	103	1.3	144

	Pizza		Italian		Mexican		Oriental	
	Share	Index	Share	Index	Share	Index	Share	Index
National	**10.8%**	**100**	**1.3%**	**100**	**3.9%**	**100**	**4.4%**	**100**
Pittsburgh	18.4	170	1.8	138	1.0	26	1.8	41
Cleveland	17.1	158	1.7	131	1.5	38	2.9	66
Minneapolis/St. Paul	11.6	107	.5	38	2.7	69	4.9	111
St. Louis	9.8	91	1.9	146	2.7	69	6.2	141
Atlanta	8.5	79	1.1	85	3.3	85	4.0	91
Tampa/St. Petersburg	11.2	104	2.1	162	2.3	59	2.8	64
Miami	9.6	89	2.3	177	3.9	100	6.3	143
Denver	8.5	79	1.1	85	6.3	162	4.2	95
Seattle/Tacoma	9.3	86	1.5	115	3.7	95	6.4	145
Sacramento	10.0	93	.8	62	7.8	200	6.0	136

Source: RE-COUNT '85